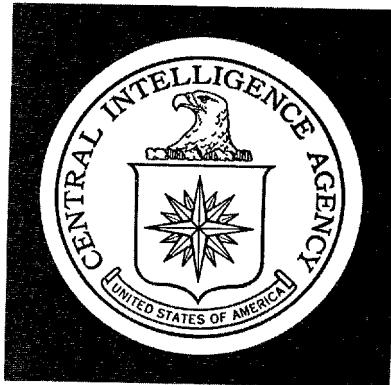


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C South Vietnam: Military activity remained at a generally low level on 21 May, although some sharp actions were reported.

The most significant engagements took place in the central highlands near Dak To, where South Vietnamese rangers fought a series of skirmishes. Sporadic heavy fighting has continued in this area since the arrival several weeks ago of parts of three North Vietnamese regiments from their Cambodian sanctuaries.

The over-all level of enemy shelling attacks was light, but one heavy mortar barrage killed 20 South Vietnamese and wounded 27 in a hamlet in Quang Tin Province.

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Peru: The government is now likely to speed up moves already under way to strengthen military ties with West European countries.

A high-level military mission left a few days ago for France and other European countries. This visit was scheduled before the public disclosure of the suspension of US military sales to Peru and the consequent Peruvian communique of 20 May. It demonstrates the interest of both the Peruvians and Europeans in developing closer military ties. [redacted]

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[redacted] the disclosure that military sales from the US had been suspended since Peru seized a US tuna fishing vessel last February provided the proponents of replacing the US missions with ammunition to overcome any opposition. It also provided the Velasco government with the opportunity to gain some political advantage by accusing the US of "unilaterally" abrogating the military assistance agreement signed in 1952. [redacted]

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Chile: President Frei has proposed revisions in his government's copper policy.

In a speech to the opening of congress yesterday, Frei called for a larger Chilean share in the profits of US copper companies because of the high world price of copper. At the same time he proposed a revision of the 1967 "Chileanization" agreement with the Anaconda Company to set up a joint ownership arrangement more like that existing with the Kennecott Copper Corporation. Anaconda has been under considerable criticism recently, both because it has retained full ownership of its existing operations and because it had been trying to extend its holdings of mineral lands in the north.

Frei's proposal is an attempt to avoid being presented with legislation calling for outright nationalization of Anaconda. His proposal is unlikely to be satisfactory to the leftists, however, and a bitter debate over the copper problem is likely. [redacted]

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Israel-Jordan-Egypt: Two serious outbreaks of fighting flared up along the cease-fire lines yesterday.

An Israeli air and ground strike into the Safi area of Jordan was allegedly designed to put a halt to a series of Arab commando raids that have occurred south of the Dead Sea in the past month. The action apparently involved a large number of aircraft and armored ground forces. An Arab terrorist camp is known to be in the area hit but the extent of damage to it is not known.

In another action, Israel claims to have shot down three Egyptian MIG-21s in an air battle along the northern sector of the Suez Canal, and to have captured an Egyptian pilot. Two of the MIG-21s were said to have been downed by Israeli aircraft, while the third is alleged to have been hit by a Hawk surface-to-air missile. Egypt has denied losing any aircraft.

The Israelis' stance along the cease-fire lines has hardened in recent weeks, and they have shown a penchant for engaging in harsher reprisal actions. Although further serious clashes will certainly occur, general hostilities appear unlikely at this time.

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Pakistan: The pace of political life has quickened somewhat in recent days as indicated by maneuvering toward possible mergers of existing political parties.

In separate conversations with US Embassy officials in Lahore, the leaders of two minor conservative parties stated that their groups will probably merge with the relatively small East Pakistan - based National Democratic Front. These disclosures are in line with newspaper reports that a draft joint manifesto has already been approved. The three parties--which share a common conservative ideological base--are already allied with other groups in the Pakistan Democratic Movement, a loosely structured organization formed in 1967 to oppose former president Ayub Khan.

The two conservative leaders both expressed the hope that former air marshal Asghar Khan's Justice Party might also join the new organization. They added that they would seek to mobilize a third political force in East Pakistan to oppose both extreme leftist leader Maulana Bhashani and autonomy advocate Mujibur Rahman, and predicted that the majority of Bengalis would reject these two men in free elections. Mujib's once-powerful political hold on East Pakistan is declining, they believe, but this could be a false impression created by present restraints on normal political activity.

The future of the proposed party--should it be created--is difficult to predict. The existence at present of more than a dozen parties and factions, however, clearly impedes their individual effectiveness. Furthermore, it is unlikely that the martial law administration, acting in the interests of stability, will permit more than a few parties to contest future elections for a national assembly. Rumors indicate other mergers of existing parties are possible, but most changes will probably not occur as long as current restraints on political activity are in force.

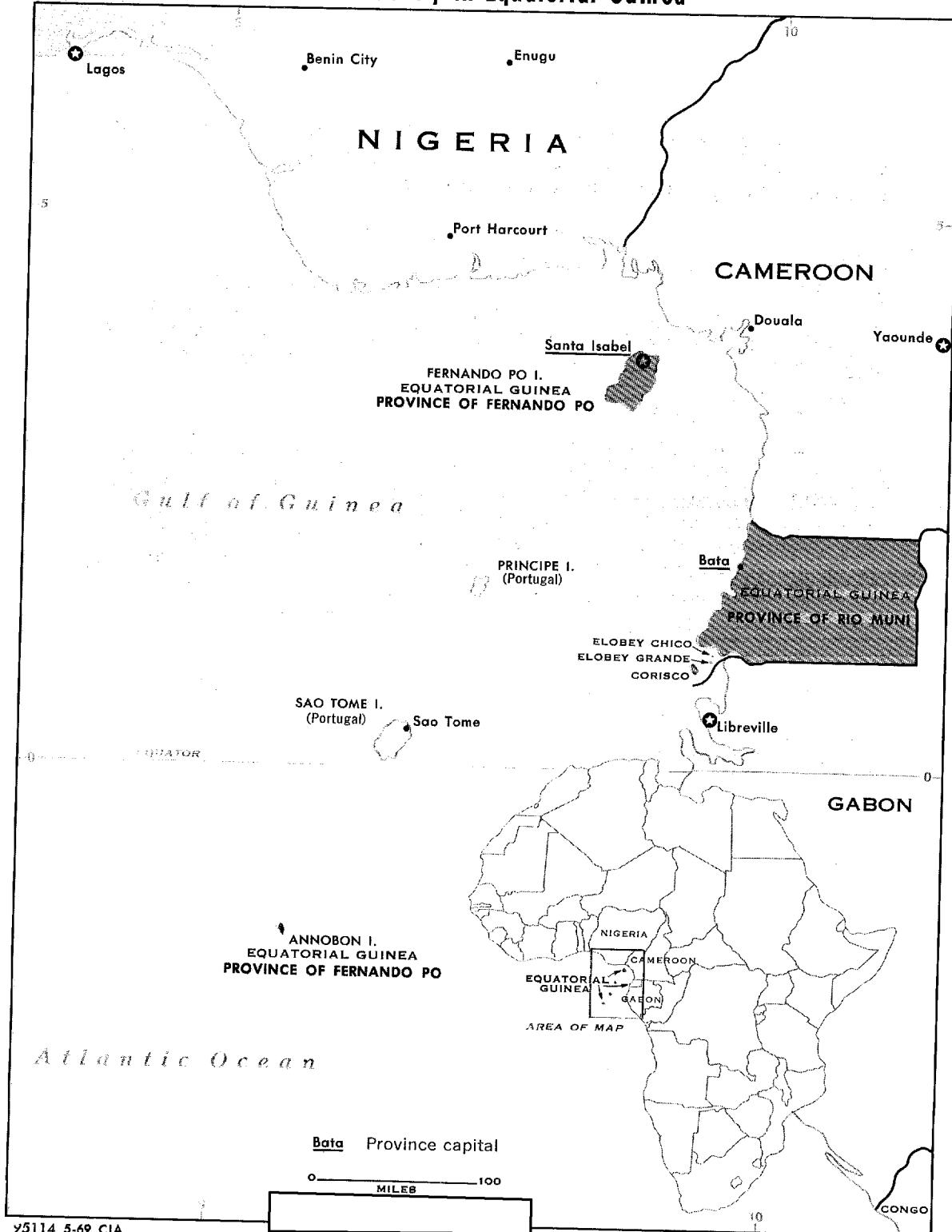
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National Guard Threatens Stability in Equatorial Guinea



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Equatorial Guinea: National guard units appear to be wielding effective political power on Fernando Po, where the national capital is located.

Led by an unidentified trio of officers, the guard on 17 May temporarily detained acting Interior Minister Oyono and another minister who have been running things in Fernando Po for President Macias during his prolonged stay in his native Rio Muni. The move followed recent clashes between the guard and members of the pro-Macias Juventud, a militant youth movement that had begun to challenge the guard's authority. Last week, Oyono, an avowed supporter of the youth movement, criticized the guard for its treatment of the youth. Although the guard released both ministers on 18 May after receiving a telegram from Macias, it almost certainly remains determined to maintain its authority over the Juventud.

Macias probably suspects the guard of plotting against his regime. The guard's reported sympathies for one of his political rivals, who was fatally injured in an alleged coup attempt last March, has presumably been a factor in Macias' reluctance to return to the capital. With no real power base in Fernando Po, Macias may find it difficult to curb the guard, which could take further steps to establish control over the island.

(Map)

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France-USSR: On 19 May French and Soviet delegations initialed a new trade agreement that calls for doubling the level of trade during 1970-74 over that of the previous five years.

During preliminary talks early in 1969 the USSR agreed to buy an additional \$80 million worth of consumer goods this year, probably to show support for Paris during a period of French economic difficulties. At that time the USSR also said it was interested in accelerating its purchases of whole plants. Moscow reportedly is now studying offers for French truck and cellulose plants, as well as French facilities in the fields of natural gas, metallurgy, food, and other light industries.

Last year France was among the top free world suppliers of the USSR with exports of about \$260 million; French imports amounted to \$190 million. Total Franco-Soviet trade constitutes less than two percent of the total trade of each country.

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Turkey: The government yesterday withdrew the controversial bill aimed at restoring full political rights to those ousted by the military revolution in 1960, and the political crisis has eased, at least temporarily. The government's action resulted from strong military pressure. The proposed amnesty measure, however, will almost certainly become a major issue during the campaign preceding the national elections in October. A leftist attempt to turn an anti-amnesty rally into an anti-American demonstration, as well as a recent rash of violent incidents involving US property and personnel, suggest that the leftists may be trying to turn against the US the bitter feelings aroused over the issue.

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Honduras: Antigovernment disturbances are continuing in the wake of the Rockefeller visit. The Lopez government is the main target of the demonstrators, although there is much latent hostility toward the US, especially among leftist university students who may try to turn the disturbances against US personnel and property. The students are using the killing of one of their colleagues during the governor's visit as a rallying cry for the riots. The Communists' Student Reform Front has long sought a cause which would attract students. Demonstrations probably will continue even though a strong reaction from the security forces is inevitable.

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Brazil: President Costa e Silva has decreed the summary retirement of perennial hard-line plotter Colonel Francisco Boaventura Cavalcanti. Boaventura, a brother of the interior minister, apparently had been conspiring against the regime for some time. This is the first time that the government has used its new broad powers against a prominent officer in an active duty military post; the action could serve as a warning to other would-be plotters.

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